United Nations

A/52/879

General Assembly

Distr.: General
30 April 1998

Original: English

Fifty-second session
Agenda item 113
Financial reports and audited financial statements, and reports of the Board of Auditors

Implementation of the recommendations of the Board of Auditors concerning United Nations peacekeeping operations for the period ended 30 June 1997

Report of the Secretary-General

I. Introduction

1. The General Assembly, in paragraph 7 of its resolution 48/216 B of 23 December 1993, requested the Secretary-General to report to it, at the same time as the recommendations of the Board of Auditors were submitted to the Assembly, on measures taken or to be taken to implement those recommendations.

2. Accordingly, the present report responds to the recommendations of the Board made in its report on the accounts of the United Nations peacekeeping operations for the 18-month period ended 30 June 1997.[1] This response is based on the assumption that all such recommendations would be approved by the General Assembly at its current session. Information is provided on measures taken or to be taken to implement the recommendations.

3. In preparing the present report, account was also taken of the provisions of the following General Assembly resolutions:

(a) Resolutions 49/216 B (in particular those of paras. 3 and 4 regarding non-expendable property), and 49/216 C of 23 December 1994 (in particular para. 3 regarding qualification by the auditors of the financial statements of United Nations peacekeeping operations);

(b) Resolution 50/204 A of 23 December 1995 (in particular the provisions of para. 4 regarding implementation of the Board's recommendations);

(c) Resolution 52/1 of 15 October 1997 (in particular the provisions of sect. II, para. 4, regarding the continued development of the field mission logistics system as it relates to the transfer of assets to the United Nations Logistics Base at Brindisi).

II. Implementation of recommendations contained in paragraph 10 of the report of the Board of Auditors

4. In paragraph 10 (a), the Board recommends that:

"The value of pending arbitration claims against peacekeeping operations be disclosed in the notes to the financial statements in accordance with the requirements of the United Nations accounting standards, since those claims constitute contingent liabilities (para. 11 (a) (iii))".

98-12315 (E) 080598

5. It is quite difficult to ascertain the exact amount of claims under arbitration. Experience has shown that, for various reasons, such as the fact that they may be spurious, inflated or have associated with them counterclaims of the Organization, many claims under arbitration reflect significantly higher amounts than any final settlements. Once the final obligation amounts are known, provisions are made in the accounts to cover them. While the Secretariat will continue to give due consideration to this recommendation, it presently feels that any further reporting of such claims could send the wrong signal to the parties involved.

6. In paragraph 10 (b), the Board recommends the following:

> "For accurate financial reporting, provision should be made in the financial statements for delays in the collection of assessed contributions in accordance with the requirements of the United Nations accounting standards (para. 11 (b) (iii))".

7. As pointed out by the Board of Auditors, assessed contributions are legally binding on Member States and can only be written off upon approval by the General Assembly. The assessed contributions are reflected in the financial statements as part of overall income for the period to which the accounts relate. Contribution schedules supporting the financial statements disclose both contributions received and those still outstanding. Furthermore, the notes to the financial statements disclose information on any Member State that has indicated its intention not to participate in the financing of a particular peacekeeping mission. Such disclosure would appear sufficient to address the concerns raised by the above recommendation.

8. In paragraph 10 (c), the Board recommends that:

> "The Administration should establish suitable lead times for submission of requisitions to enable vendors to respond to bids and should monitor compliance with the established lead times (para. 49)".

9. The Secretariat attempts to offer suitable lead times to permit the participation of as many qualified vendors as possible. However, in certain circumstances, such lead times are not practical and must be shortened in order to accommodate immediate operational requirements. In such cases, the procurement sections would resort to pre-qualified or known suppliers for the requisitioned goods and services. The Secretariat will continue to offer suitable lead times wherever practicable.

10. Paragraph 10 (d) contains the following recommendation of the Board:

> "To avoid delays in the award of contracts, the Administration should set clear deadlines for the technical evaluation and other internal review processes (para. 56)".

11. In the body of its report, the Board states that undue delays in the evaluation of bids had led to the renewal of existing contracts without resorting to bid and this, in some cases, had resulted in additional costs to the Organization.

12. In the example cited in the Board's report, requests for proposals for three missions were consolidated for the first time and savings eventually realized. As extra time was needed by Headquarters to coordinate with the missions to make proper preparation of the tender covering their combined requirements, the existing separate contracts were extended, thus postponing the savings. This situation was unavoidable.

13. In general, the option of rebidding of contracts for peacekeeping operations is exercised. However, annual rebidding for its own sake, in particular for complex requirements such as rations and logistics support, may prove more costly than renewal. The costs of mobilization of and handover to the new contractor are significant in this type of contract. The whole question of rebidding versus renewal of contracts for peacekeeping requirements is now being addressed by a working group comprising representatives from the Department of Peacekeeping Operations, the Department of Management and the Office of Legal Affairs. The working group is to recommend guidelines for the Headquarters Committee on Contracts.

14. The Board recommends in paragraph 10 (e) of its report that:

> "The Administration should establish a global procurement planning process in order to avoid unwarranted extensions of contracts and also to benefit from economies of scale where possible (para. 59)".

15. The Secretariat is in the process of completing system contracts in circumstances where this is feasible. So far, such contracts for vehicles, rations and other supplies have been approved. As part of the global procurement planning process, missions have been asked to submit their procurement requirements for the forthcoming budget cycle. These requirements will be evaluated at Headquarters with a view to establishing other system contracts where possible.

16. In paragraph 10 (f), the Board recommends that:

> "The Department of Peacekeeping Operations (DPKO), in conjunction with UNPREDEP and MONUA, the successor mission to UNAVEM III, should investigate the circumstances that led to

avoidable expenditures incurred by the two missions and take appropriate action (para. 65)".

17. In paragraph 10 (g), the Board recommends that:

"The Administration should emphasize to MONUA the importance of full compliance with established procedures relating to procurement (para. 67)".

18. The circumstances in the two missions have been investigated. The Department of Peacekeeping Operations has taken steps to ensure that missions scrutinize invoices more meticulously and reconcile them with evidence of actual usage in advance of processing payments under contracts. The United Nations Observer Mission in Angola (MONUA) is now operating with a new complement of procurement staff. All missions have been advised of the Board's concerns and cautioned on the need for full compliance with established procedures relating to procurement.

19. Headquarters has sent out reminders to missions delineating the strict requirements for submitting to the Headquarters Committee on Contracts their *ex post facto* cases for which the mission chief administrative officers would be held personally responsible.

20. In paragraph 10 (h), the Board recommends the following:

"In order to facilitate claims processing and to ensure proper monitoring and accurate payment of claims, the Administration should review its computerized systems on letters of assist to ensure that they are coordinated and provide accurate data capture and reliable information flow (para. 74)".

21. Representatives of the Department of Peacekeeping Operations and the Integrated Management Information System (IMIS) project have recently been working to make more compatible their parallel records relating to letters of assist. IMIS enhancements will track the issuance, pre-encumbrance and settlement of letters of assist. Work in progress, or certifications prior to final payment, will be tracked separately by offices in the Department of Peacekeeping Operations. Regular review will be carried out in order to reconcile the two records and avoid over-certification.

22. In paragraph 10 (i), the Board recommends that:

"The Headquarters Committee on Contracts should not consider letters of assist on an *ex post facto* basis; the Administration should clearly define the circumstances in which non-letters of assist claims can be accepted (para. 79)".

23. The guidelines issued to troop-contributing countries present clearly the administrative and financial requirements for the provision of services under letters of assist. All missions have been duly reminded of the need to ensure that the provision of additional services must receive prior approval from Headquarters. The Department of Peacekeeping Operations has established a list of the circumstances under which non-letters of assist claims may be accepted and has disseminated that requirement to all missions. With the introduction of new reimbursement procedures for contingent-owned equipment under the wet/dry lease system, letters of assist requirements will be reduced, as will the exceptional circumstances under which claims may be admissible. The above will keep to a minimum requests to the Headquarters Committee on Contracts for approval of letters of assist on an *ex post facto* basis.

24. In paragraph 10 (j), the Board recommends that:

"The process of liquidation of peacekeeping missions should be accomplished within the shortest possible time in order to minimize costs; this should include a plan clearly identifying the time-frame for the completion of the outstanding tasks in all missions in liquidation, which should be closely monitored by the Department of Peacekeeping Operations (para. 136)".

25. Guidelines have been prepared and distributed to all missions in or nearing their liquidation phase. Those guidelines are now being reviewed in the light of experience being gained during the liquidation of United Nations Peacekeeping Forces headquarters (UNPF) and will be disseminated once revised. It is the objective of the Department of Peacekeeping Operations to keep for up to six months as many experienced staff as possible in missions in order to complete as many tasks as possible in the field prior to releasing them to Headquarters.

26. In paragraph 10 (k), the Board recommends the following:

"For more effective control, missions in liquidation should undertake a physical inventory of non-expendable property prior to their disposal in accordance with the provisional liquidation guidelines (para. 150)".

27. The field asset control system recently approved by the General Assembly in its resolution 52/1 will enable management at Headquarters and in the field to have a near-

real-time, global view of the full scope of peacekeeping assets and has already made a positive contribution to maintaining inventory control. Additionally, a physical inventory of all assets, both non-expendable and expendable, is now carried out in connection with all liquidations.

28. In paragraph 10 (l), the Board recommends that:

> "The Administration should review the entire process regarding write-off of non-expendable property, from the mission level to finalization at Headquarters, in order to reduce the extent of delay (para. 154)".

29. Representatives of the Department of Peacekeeping Operations and the Department of Management are currently engaged in a comprehensive review of the property survey board process. Proposed changes include enhanced records management systems, which will be transferred to missions upon successful implementation at Headquarters. Furthermore, under procedures now in place, missions have been given higher levels of financial authority and accountability as regards United Nations-owned equipment in order to enable them to finalize more cases locally.

30. In paragraph 10 (m), the Board recommends that:

> "The Department of Peacekeeping Operations should ensure that before assets are transferred from a liquidating mission, appropriate evaluation is conducted to avoid the transfer of unserviceable property at additional cost to the Organization (para. 165)".

31. As stated in the Secretary-General's report of 21 May 1997 on the financing of the United Nations Logistics Base at Brindisi (A/51/905), the Secretariat has established a policy providing for the transfer to the Logistics Base of only those assets which have at least two years' useful life remaining and are serviceable or repairable at not more than 30 per cent of their depreciated value. Chief administrative officers of missions are also required to confirm that the provisions of the policy have been adhered to. That policy was endorsed by the Advisory Committee on Administrative and Budgetary Questions in its report of 30 September 1997 (A/52/407) and approved by the General Assembly in its resolution 52/1.

Notes

[1] *Official Records of the General Assembly, Fifty-second Session, Supplement No. 5* (A/52/5), vol. II, chap II.